GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:366
ANSWERED ON:01.03.2002
EXTERNAL COMMERCIAL BORROWINGS
BHARTRUHARI MAHTAB

Will the Minister of FINANCE be pleased to state:

(a) whether the Government allowed all companies to enjoy the benefit of exemption from withholding on External Commercial Borrowings (ECB) prior to June 1, 2001;

(b) if so, the names of the companies benefited by this and the amount of money involved during the last three years;

(c) whether the Government have taken a final view to deny tax benefits to certain companies in the form of exemption on withholding ECBs aggregating to billion of Dollars; and

(d) if so, the steps being taken to realise the money at the earliest?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) : The Government was giving exemption from withholding tax on interest payment and associated fees and charges to industrial undertakings raising foreign currency borrowings for specified end uses under Section 10(15)
(iv) (a) to ((h) of Income Tax Act (ITA), 1961. The IT Act, 1961 as Amended through Finance Act, 2001 provides that

With effect from 1st June 2001 for ExternalCommercial Borrowings(ECBs) under fresh loanAgreements, the above exemptions would not be available under section 10(15)
(iv) (a) to (f)

(b) Information in respect of companies in India who have accessed ECB and which were givenexemption during the last three years is being collected and will be laid on the Table of the House.

(c) & (d) For ECBs contracted on or after 1st June, 2001, the tax exemption under section 10(15)
(iv) (a) to (f) is not available. In respect of ECBscontracted prior to 1st June 2001 and granted tax exemptions, companies/borrowers adhering to all the terms and conditions of ECB approval including end use conditions would continue to enjoy tax exemptions. In case of one company the tax exemption granted has been withdrawn prospectively, as there has been a breach of the condition of the ECB approvals.